

UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: June 3, 2021
Filing Due Date: February 28, 2021
Date Filed: March 17, 2021

File No.: PC73-0221

Name of Utility: Village of Venetie Cert. No. 663

☒ Annual Update
 ☐ COPA Review
☐ Fuel Price Change
 ☐ Non-Fuel Cost Change
☐ Rate Change
 ☐ kWh Sales Change
☐ Other _____

STAFF RECOMMENDATIONS: Approval of updated **Permanent** PCE amounts (see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNTS (In Cents/kWh)	March 4, 2021	
All	34.01¢	46.21¢

Signed: Brenda Cox Brenda Cox Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 6/3/21)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KI</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JWW</u>	_____	_____

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert M. Pickett, Chairman
Keith Kurber II
Antony D. Scott
Danial A. Sullivan
Janis W. Wilson

DATE: June 3, 2021

FROM: Brenda Cox
Utility Financial Analyst

RE: Village of Venetie
PC73-0221

Recommendations

1. Updated Power Cost Equalization (PCE) amounts should be effective for billings rendered on or after June 4, 2021.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, and rate changes should be included in the By Direction Letter to the utility.

Background

On March 17, 2021, the Village of Venetie (VENETIE) filed its 2020 annual PCE report (annual report), for the test year ending September 30, 2020. On March 19, 2021, VENETIE filed a revised Income Statement and Profit & Loss report.¹ VENETIE filed supplements on April 1, 2021 and May 24, 2021.² Staff's contact for this filing was Ms. Grace Oomittuk, Consultant.

Summary

After Staff proposed adjustments, VENETIE's total costs per kiloWatt-hour (kWh) have increased by 12.84 cents (¢) from 56.44¢/kWh to 69.28¢/kWh (FY20). VENETIE's reported fuel efficiency increased from 11.50 kWh/gallon adjusted (FY13) to 12.06 kWh/gallon

¹ See 2020 PCE Supplement to Annual Report. VENETIE filed a duplicate Income Statement on March 22, 2021.

² See 2020 Supplement to PCE Annual Report.

(FY20). Reported line loss increased from 12.00% adjusted (FY13) to 20.70% (FY20). Staff used the revised Income Statement³ for the analysis. Staff's detailed analysis of this filing follows:

Analysis

Non-Fuel Costs

Total non-fuel costs increased \$182,908 from \$96,291 (FY13) to \$279,199 (FY20). Staff reviewed VENETIE's non-fuel costs by category noting the following (see Schedule BKC-1):

Personnel Expenses increased \$52,719 from \$70,692 (FY13) to \$123,411 (FY20). Staff reviewed the documentation provided and recommends no adjustments.

Operating Expenses increased \$65,129 from \$2,810 (FY13) to \$67,939 (FY20). Staff noted in the Repair and Maintenance account on the Profit & Loss the following entries:

- Norbert Equipment Repair \$45,000
- Northland Wood Product, Inc. \$ 4,300
- Ryan Air \$ 4,360

Staff asked Ms. Oomittuk for a copy of the invoice for Norbert Equipment Repair and what was purchased from Northland Wood Product, Inc. Additionally, Staff noted the Ryan Air entry had a description of "Freight for fuel tank" and Staff asked what account the purchase of the fuel tank was recorded in. Ms. Oomittuk advised she would have to ask Yukon Accounting for the information.⁴ Staff received no response and emailed Ms. Oomittuk again on April 14, 2021, requesting the information. Ms. Oomittuk provided an invoice for Norbert Equipment Repair, Inc. in the amount of \$45,000 for the prepayment for a new generator. Ms. Oomittuk also provided a copy of the invoice for Northland Wood in the amount of \$4,300, for 10 Utility poles. Staff recommends reclassifying both the generator and utility pole costs to the Schedule of Depreciation.⁵ Staff recommends **Adjustment 1 (Appendix 2)** to reduce Operating Expenses by \$49,300.

General & Administrative Expenses increased \$73,493 from \$13,933 (FY13) to \$87,426 (FY20). Staff noticed an increase in Outside Professional Services from \$6,142 (FY13) to

³ See Supplement filed April 14, 2021.

⁴ See Supplement filed April 14, 2021.

⁵ See Supplement filed May 24, 2021.

\$54,555 (FY20). Staff asked Ms. Oomittuk what the \$40,996 reported for Yukon Accounting was for and how it was calculated. Ms. Oomittuk advised she took the total paid to Yukon Accounting and divided it by three, because Yukon Accounting also does accounting for the roads department and the Tribe. Staff asked for additional information regarding the allocation of these costs and did not receive a reply.⁶ Therefore, Staff recommends disallowing the costs allocated for Yukon Accounting until additional information is provided regarding the allocation.⁷ Staff recommends **Adjustment 2 (Appendix 2)** to reduce General & Administrative Expenses by \$40,996.

Depreciation Expense decreased \$8,677 from \$8,856 to \$179. Staff reclassified the costs for the Generator (\$45,000) and Utility poles (\$4,300) from Operating Expenses to the Schedule of Depreciation, to be depreciated over 14 and 25 years, respectively.⁸ Staff calculated depreciation expense to be \$3,565. Therefore, Staff recommends **Adjustment 3 (Appendix 2)** to increase reported Depreciation Expense of \$179 by \$3,386 to equal \$3,565.

Interest Expense increased \$244 from \$0 to \$244. Staff recommends no adjustments.

Fuel Costs

VENETIE submitted its most recent fuel report on January 27, 2021, which included 13,130 gallons of fuel purchases between November 11, 2020 and January 14, 2021. A weighted average price of fuel in the amount of \$3.9465/gal was calculated⁹ and is shown on **Appendix 2**.

Electric Utility PCE Data Form

VENETIE did not report any information for the months of March, June, or July 2020 on its Electric Utility PCE Data Form. Staff asked VENETIE how it billed the customers for these months. VENETIE advised there were no meters read for these months, so they were included in the next month's billing and reports.¹⁰

Line Loss

⁶ Staff emailed Venetie April 14, 2021 and May 6, 2021.

⁷ AS 42.45.110(f)...Only power costs that are supportable may be considered in calculating power cost equalization.

⁸ Staff notes these are the lives referenced in the Depreciation & Amortization Lives/Rates Schedule Staff follows.

⁹ Approved in Letter Order L2100052, dated March 5, 2021.

¹⁰ See Supplement filed April 14, 2021.

VENETIE's reported line loss of 20.70% is higher than the 12% maximum allowed by 3 AAC 52.620(b). In accordance with Generation Efficiency and Line Loss Standards, 3 AAC 52.620(b), "A line loss standard of 12 percent applies to all electricity sold, and is measured as all kilowatt-hours generated or purchased, from whatever source, minus (kilowatt-hours sold plus Station Service), divided by all kilowatt-hours generated or purchased." 3 AAC 52.610(j) states that fuel and nonfuel costs per kilowatt-hour are calculated by dividing total fuel and nonfuel costs by the greater of actual number of kilowatt-hours sold or the number of kilowatt-hours that would have been sold if the utility had achieved line loss standard. Staff recommends **Adjustment 4 (Appendix 2)** to increase VENETIE's reported kWh sales of 556,581 by 62,939 to 619,520 kWh in order to meet the line loss standard of 12%.

PCE Number

In PC73-0912, VENETIE's annual report filing was updated to be based on a test year of October 1 through September 30, with a due date of February 28 of each calendar year.¹¹ The numbering sequence would have changed from PC73-**09XX** to PC73-**02XX** to show the month the annual report is due. The last PCE number used in a PCE fuel report was PC73-**0913II** Staff changed the PCE number to PC73-**0221** for this annual report.

¹¹ Approved in Letter Order L1200596, dated September 7, 2012.

VILLAGE OF VENETIE

APPENDIX 1

POWER COST EQUALIZATION CALCULATION FOR TEST PERIOD ENDING September 30, 2020 Annual Update

	PC73-0913II	PC73-0221	
	Prior Commission Approval	Utility Request	Staff Recommended
A. Total kWh Generated	722,400	724,100	724,100
B. Total kWh Sold (Appendix 2)	610,087	556,581	619,520
C. Total Non-Fuel Costs (Appendix 2)	96,291	279,199	192,289
D. Non-Fuel Cost/kWh (C / B)	\$0.1578	\$0.5016	\$0.3104
E. Total Fuel Costs (Appendix 2)	248,013	236,896	236,896
F. Fuel Costs/kWh (E / B)	\$0.4065	\$0.4256	\$0.3824
G. Eligible Costs/kWh (D + F)	\$0.5644	\$0.9273	\$0.6928
H. Eligible Cost/kWh (G) Less 20.63 cents/kWh	\$0.3581	\$0.7210	\$0.4865
I. Lesser of (H) or 79.37 cents/kWh	\$0.3581	\$0.7210	\$0.4865
J. Average Class Rates (Appendix 3)			
All	\$0.6937	\$0.6937	\$0.6937
Class Power Cost Equalization Per kWh Payable			
Lesser of: (I) x 95% or (J)			
K. All	\$0.3401	\$0.6849	\$0.4621
Funding Level in Effect	100%	100%	100%
L. All	\$0.3401	\$0.6849	\$0.4621

Appendix 1
PC73-0221

VILLAGE OF VENETIE

APPENDIX 2

SCHEDULE OF ELIGIBLE POWER COSTS, SALES, AND EFFICIENCY FOR TEST PERIOD ENDING September 30, 2020 Annual Update

			PC73-0913II		PC73-0221	
			Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
Non-Fuel Costs:						
A.	Personnel Expenses		70,692	123,411	Adj. #1	123,411
B.	Operating Expenses		2,810	67,939	(49,300)	18,639
C.	General & Administrative		13,933	87,426	Adj. #2	46,430
D.	Depreciation		8,856	179	(40,996)	3,565
E.	Interest Expense		0	244	3,386	244
F.	Total Non-Fuel Costs		\$96,291	\$279,199	0	\$192,289
Fuel Costs:						
G.	Gallons Consumed for Electric Generation		62,844	60,027		60,027
H.	Price of Fuel:(per gal) Weighted Average		\$3.9465	\$3.9465		\$3.9465
I.	Total Fuel Costs		\$248,013	\$236,896	\$0	\$236,896
J.	kWh Generated		722,400	724,100	Adj. #4	724,100
K.	kWh Sales		610,087	556,581	62,939	619,520
L.	kWh Station Service		25,625	17,652		17,652
M.	Efficiency	Standard	11.50	12.06		12.06
N.	Line Loss	12%	12.00%	20.70%	-8.69%	12.00%
(kWh generated -(kWh sold + Station Service))/kWh generated						

Weighted Average Cost of Fuel

On Hand:	100	x	\$	3.9465	\$394.65	Weighted
Delivered:	-	x	\$	-	\$0.00	Average
TOTAL	100				\$394.65	\$3.9465

Appendix 2
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VILLAGE OF VENETIE

Alternate Form
Appendix 3

Calculation of Average Class Rate per kWh

Rate Schedule: ALL

(1) kWh by Block	(2) Rate (\$/kWh)	(3) Surcharge If Applicable (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - 0.2063 /kWh
500	0.9000	0.0000	0.9000	450.00	0.9000	0.6937
500				450.00	0.9000	0.6937
TOTAL (A)						(E)

Computation of Community Facilities Average Rate

Rate Schedule: ALL

	(A) Rate (\$/kWh)	(B) Surcharge If Applicable (\$/kWh)	(C) Total Rate (\$/kWh) (A+B)	(7) Avg. Rate (\$/kWh) - 0.2063 /kWh
0 to ∞	0.9000	0.0000	0.9000	0.6937
Next to				
Next to				
Next to				
Next to				

VENETIE VILLAGE ELECTRIC

TREND ANALYSIS

Personnel Expenses

Total Wages

Employer Portion of Payroll Taxes

Workers Compensation

Total Employer Paid Taxes

Total Personnel Expenses

Operating Expenses

Generator Oil

Generator Filters

Generator R&M

Tools

Total Operating Expenses

General and Administrative

Outside Professional Services:

Insurance

Office Supplies

Postage

Office Rent

Travel

Other

Total General and Administrative

Depreciation

Interest Expense

TOTAL

kWh Generated

kWh Sold

Gallons Consumed

Station Service

Efficiency

Line Loss

2013	2020				
Amended Expenses	Utility Filing	Variance		Staff Adjustments	Amended Expenses
		\$	%		
61,977	109,412	47,435	76.54%	0	109,412
8,715	13,999	5,284	60.63%		13,999
0	0	0	0.00%		0
8,715	13,999	5,284	60.63%	0	13,999
70,692	123,411	52,719	74.58%	0	123,411
289	0	(289)	(100.00%)		0
960	214	(746)	(77.71%)		214
1,561	67,725	66,164	4238.57%	(49,300)	18,425
0	0	0	0.00%		0
2,810	67,939	65,129	2317.76%	(49,300)	18,639
6,142	54,555	48,413	788.23%	(40,996)	13,559
0	0	0	0.00%		0
688	0	(688)	(100.00%)		0
0	0	0	0.00%		0
0	0	0	0.00%		0
1,155	0	(1,155)	(100.00%)		0
5,948	32,871	26,923	452.64%		32,871
13,933	87,426	73,493	527.47%	(40,996)	46,430
8,856	179	(8,677)	(97.98%)	3,386	3,565
0	244	244	100.00%		244
96,291	279,199	182,908	189.95%	(86,910)	192,289
722,400	724,100	1,700	0.24%		724,100
635,676	556,581	(79,095)	(12.44%)	62,939	619,520
62,844	60,027	(2,817)	(4.48%)		60,027
	17,652				17,652
11.50	12.06	0.57	4.94%		12.06
12.00%	20.70%	0	72.40%	-8.69%	12.00%

VILLAGE OF VENETIE

Schedule of Depreciation
FOR TEST YEAR ENDING:

September 30, 2020

<u>Asset</u>	<u>Date placed in service</u>	<u>Cost</u>	<u>Life</u>	<u>Accum Dep 09/30/19</u>	<u>Book Value 9/30/2019</u>	<u>2020 Depreciation</u>	<u>Accum Dep 9/30/2020</u>	<u>Book Value 9/30/2020</u>
Utility poles	2020	4,300	25	-	-	172	172	4,128
Generator	2020	45,000	14	-	-	3,214	3,214	41,786
Ampy Meters (10)	2011	3,582	20	1,611	1,971	179	1,790	1,792
		<u>52,882</u>		<u>1,611</u>	<u>1,971</u>	<u>3,565</u>	<u>5,176</u>	<u>47,706</u>
Reported By Utility						179		
Staff Recommended Adjustment						<u>3,386</u>		

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PC73-0221
Schedule BKC-2